

Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

NOTICE OF SPECIAL AND ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the special and annual general meeting of the shareholders of SPEARHEAD RESOURCES INC. (the "Corporation") will be held at the offices of Spearhead Resources Inc. 1400, 4th - 22nd Avenue S.W., Calgary, Alberta on September 13, 1997, at 2:00 p.m. (Calgary time) for the purpose of:

SPEARHEAD RESOURCES INC.

- (a) the approval of the Corporation's Stock Option Plan;
- (b) the approval of the redemption of common shares of the Corporation for future private placements; and
- (c) transacting such other business as may properly come before the meeting or any adjournment of the meeting.

DATED: April 30, 1997

By Order of the Board of Directors

Mark A. Dyer, President
Brian MacLeod, President

Annual Report

If you are unable to be present at the meeting, PLEASE SEND AND RETURN THE ACCOMPANYING PROXY to Montreal Trust Company or Canadian Trust Company, 100 - 10th Avenue S.W., Calgary, Alberta, T2P 3G8, by noon (Calgary time) on the business day preceding the day of the meeting or any adjournment of the meeting.

1996

SPEARHEAD RESOURCES INC.

NOTICE OF SPECIAL AND ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the special and annual general meeting of the shareholders of **SPEARHEAD RESOURCES INC.** (the "Corporation") will be held at the offices of Spearhead Resources Inc. 1400, 444 - 5th Avenue S.W., Calgary, Alberta on September 15, 1997, at 2.00 p.m. (Calgary time) for the purposes of:

- (a) the election of the persons proposed to be nominated as directors;**
- (b) the appointment of Woodward Hallam & Co., Chartered Accountants, as auditors of the Corporation for the ensuing year;**
- (c) the approval of the Corporation's Stock Option Plan;**
- (d) the approval of the reservation of common shares of the Corporation for future private placements; and**
- (e) transacting such other business as may properly come before the meeting or any adjournment of the meeting.**

DATED: July 31, 1997

By Order of the Board of Directors

(signed) "Brian Mahood"
BRIAN MAHOOD, President

If you are unable to be present at the meeting, PLEASE SIGN AND RETURN THE ACCOMPANYING PROXY to Montreal Trust Company of Canada, #600, 530 - 8th Avenue S.W., Calgary, Alberta, T2P 3S8 by noon (Calgary time) on the business day preceding the day of the meeting or any adjournment of the meeting.

SPEARHEAD RESOURCES INC.

INFORMATION CIRCULAR

IN RESPECT OF THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON SEPTEMBER 15, 1997

SOLICITATION OF PROXIES

This Information Circular is provided in connection with the solicitation, by management of SPEARHEAD RESOURCES INC. (the "Corporation") of proxies for the annual and special meeting of shareholders of the Corporation (the "Meeting") to be held at the offices of the Corporation 1400, 444 - 5th Avenue S.W., Calgary, Alberta, on September 15, 1997, at 2:00 p.m. (Calgary time).

The directors contemplate a solicitation of proxies primarily by mail, but they may also solicit proxies personally or by facsimile or telephone. The costs of such solicitations will be paid by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

Shareholders have the right to appoint a nominee (who need not be a shareholder) to represent them at the Meeting other than the persons designated in the enclosed form of proxy, and may do so by printing the name of the nominee in the blank space provided in the first paragraph of the proxy form.

A form of proxy will not be valid for the Meeting or any adjournment unless it is completed by the shareholder or by his attorney authorized in writing and delivered to the Montreal Trust Company of Canada, 600, 530 - 8th Avenue S.W., Calgary, Alberta T2P 3S8 not less than twenty-four hours before the Meeting or any adjournment of the Meeting.

In addition to revocation in any other manner permitted by law, a shareholder who has given a proxy may revoke it any time before it is exercised by instrument in writing executed by the shareholder or by his attorney authorized in writing and deposited at the offices of Montreal Trust at any time up to and including the last business day preceding the day of the Meeting, or any adjournment, at which the proxy is to be used, or with the chairman of the Meeting on the day of the Meeting, or any adjournment.

VOTING OF PROXIES

The persons named in the enclosed form of proxy are directors and/or officers of the Corporation and have indicated their willingness to represent as proxy the shareholder who appoints them. Each shareholder may instruct his proxy how to vote his shares by completing the proxy form.

The person indicated in the accompanying proxy shall vote the shares in respect of which they are appointed in accordance with the direction of the shareholder appointing them. **IN ABSENCE OF SUCH DIRECTION, THE SHARES WILL BE VOTED IN FAVOUR OF:**

1. The election of the persons proposed to be nominated as Directors;
2. The appointment of Woodward, Hallam & Co., Chartered Accountants as Auditors of the Corporation;
3. Receiving and considering the audited financial statements of the Corporation for the year ended December 31, 1996, and the report of its auditors;
4. Approving the Corporation's Stock Option Plan;
5. Approving the reservation of common shares of the Corporation for future private placements; and
6. Transacting such other business as may properly come before the Meeting or any adjournment thereof.

The enclosed form of proxy confers discretionary authority upon the person indicated in the proxy with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the meeting. At the time of printing of the Information Circular, the management of the Corporation knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the Notice of Meeting and the Information Circular. If any matters which are not now known to the directors and senior officers of the Corporation should properly come before the meeting, the persons named in the accompanying form of proxy will vote on such matters in accordance with their best judgment.

VOTING SHARES AND PRINCIPAL SHAREHOLDERS

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of First and Second Preferred Shares without nominal or par value. Since the date of incorporation the Corporation has issued 2,500,000 common shares pursuant to initial subscriptions, 2,000,000 common shares pursuant to a prospectus dated October 15, 1996 and 100,000 issued on November 20, 1996 pursuant to the exercise of options by McDermid St. Lawrence Securities Ltd. As of the date of this Information Circular 4,600,000 common shares without nominal or par value were issued and outstanding.

Each common share entitles the holder to one vote on all matters to come before the Meeting. No group of shareholders has the right to elect a specified number of directors nor are there cumulative or similar voting rights attached to the common shares of the Corporation.

The directors of the Corporation have fixed August 11, 1997, as the record date for determination of the persons entitled to receive notice of the Meeting. A shareholder of record as of the record date is entitled to vote his common shares except to the extent that he has transferred the ownership of any of his shares after the record date, and the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he owns the shares, and demands, not later than 10 days before the Meeting, that his name be included in the shareholder list before the Meeting, in which case the transferee is entitled to vote his shares at the Meeting.

To the knowledge of the directors and senior officers of the Corporation, the only persons beneficially owning, directly or indirectly, shares carrying more than 10 percent of the voting rights attached to all shares of the Corporation as of the date of this Information Circular are:

Name and Municipality of Residence	Type of Ownership	Number of Common Shares Owned or Controlled	Percentage of Class
Brian C. Mahood	Beneficial	468,668	10.19%
Shaikh Family Trust	Beneficial	666,666	14.49%
Ali Jomaa	Beneficial	666,666	14.49%

The directors and officers as a group beneficially control, as a group 43.48% of the issued and outstanding common shares at the date of this Information Circular.

LOAN AND CAPITAL STRUCTURE

The Corporation does not have any long-term debt as of the date of this Information Circular. The following table sets out the current capital structure of the Corporation.

Capital	Authorized	Currently Outstanding ²	Outstanding Post Major Transaction ¹
Common Shares	Unlimited	4,600,000 (\$360,000)	4,600,000 (\$360,000)
First Preferred	Unlimited	nil	nil
Second Preferred	Unlimited	nil	nil

Note:

1. The Corporation has reserved for issuance an aggregate of 450,000 common shares pursuant to a stock option plan for the directors, officers, key employees and consultants of the Corporation. Options to purchase a total of 450,000 common shares at \$0.10 per share were reserved for issuance to the directors and officers of the Corporation on October 18, 1996. The Corporation has also reserved for issuance a further 100,000 common shares in respect of an option to purchase a total of 200,000 common shares at a price of \$0.10 per share granted to McDermid St. Lawrence Securities Ltd. on October 28, 1996, which option expires on April 28, 1998. McDermid St. Lawrence Securities Ltd. exercised its option to purchase 100,000 common shares on November 20, 1996.

STATEMENT OF EXECUTIVE COMPENSATION

1. Directors

The directors of the Corporation have not, to the date of this Information Circular, been paid cash compensation in their capacities as such. The directors are reimbursed for miscellaneous out-of-pocket expenses incurred in carrying out their duties as directors.

2. Officers

The following persons are executive officers of the Corporation:

Brian C. Mahood	President, Chief Executive Officer
Matthew Kingsley Walls	Secretary-Treasurer, Chief Financial Officer

Mr. Mahood and Mr. Walls are also directors of the Corporation.

The officers of the Corporation have not to the date of this Information Circular, been paid cash compensation in their capacities as such. The aggregate value of all other compensation payable by the Corporation to executive officers of the Corporation was nil.

3. Option Agreements

The Corporation has a Stock Option Plan under which options to purchase common shares of the Corporation are granted to directors, officers, key employees, and consultants. As of the date of this Information Circular, the Corporation has granted options to each of the directors of the Corporation to purchase a total of 450,000 common shares at a price of \$0.10 per share exercisable until October 18, 2001 as set out in the following table. None of these options has been exercised as of the date of this Information Circular. See "Stock Option Plan"

The following table sets out the stock options currently issued:

Name	Number of Common Shares under Option	Exercise Price per Common Share	Expiry
Brian C. Mahood	180,000	\$0.10	October 18, 2001
M. H. (Mike) Shaikh	90,000	\$0.10	October 18, 2001
Matthew Kingsley Walls	90,000	\$0.10	October 18, 2001
Ali Jomaa	90,000	\$0.10	October 18, 2001

4. Management/Employment Contracts

The Corporation is not currently party to any management or employment agreement(s). It is not anticipated that any such management or employment contracts will be entered into in the foreseeable future.

MATERIAL CONTRACTS

The Corporation has not entered into any material contracts since incorporation, except:

- (a) an Agency Agreement dated October 9, 1996 among the Corporation, McDermid St. Lawrence Securities Ltd. and the Montreal Trust Company of Canada;
- (b) an Escrow Agreement dated October 9, 1996 among the Corporation, the Montreal Trust Company of Canada, and security holders of the Corporation;
- (c) a Transfer Agency and Registrar Agreement between the Corporation and the Montreal Trust Company of Canada dated October 9, 1996;
- (d) Option Agreements between the Corporation and each of the directors of the Corporation dated October 18, 1996; and

Copies of the agreements above and a form copy of the agreement in (d) above will be available for review at the office of McLeod & Company, Barristers & Solicitors, Suite 800, 11012 Macleod Trail S., Calgary, Alberta, during ordinary business hours to and including the day of the meeting.

ELECTION OF DIRECTORS

It is proposed that directors listed in the following table be elected to serve until the next annual general meeting or until their successors are elected or appointed in accordance with the Business Corporations Act (Alberta) and the By-laws of the Corporation.

The following table indicates the names of the nominees for directors, the present position with the Corporation, the date each such person first became a director, the principal occupation of each such person, and the number of shares of the Corporation beneficially owned or controlled (either directly or indirectly) by each such person. The information contained in this table as to number of shares of the Corporation beneficially owned or controlled, directly or indirectly, is based upon information furnished to the Corporation by the respective nominees.

Name, Municipality of Residence and Date First Became a Director	Principal Occupation	Common Shares Beneficially Owned or Controlled
Brian C. Mahood* Calgary, Alberta July 10, 1996	President, Chief Executive Officer and Director of the Corporation since July 10, 1996. Staff Geologist at Amax Petroleum of Canada Inc. until June, 1993. Exploration Manager for Strike Energy Inc. until July, 1994. President of Kerrisdale Resources Ltd. since July, 1994, a privately owned consulting company. Vice-President of Blue-Winged Resources Ltd. since April, 1996, a privately owned gas producer.	468,668
Matthew Kingsley Walls Calgary, Alberta July 10, 1996	Secretary-Treasurer, Chief Financial Officer and Director of the Corporation since July 10, 1996. President and Manager of CanGeo Group Inc., a Calgary based oil and gas consulting company. Founder and President of WellSight Systems Inc., a software development company that provides data solutions for vertical and horizontal drilling applications.	198,000
M.H. (Mike) Shaikh* Calgary, Alberta July 10, 1996	Director of the Corporation since July 10, 1996. Associate/Partner in Shaikh & Shikaze. Chartered Accountants from 1983 until July 1996. President of M.H. Shaikh Professional Corporation, Chartered Accountant, since August 1996. Director, Founders Energy Ltd. (ASE), Lodestar Energy Inc. (ASE) and Virginia Energy Corporation (ASE).	666,666 ⁽¹⁾
Ali Jomaa* Calgary, Alberta July 10, 1996	Director of the Corporation from July 10, 1996. President of Minestar Resources Corp. from May, 1995 to March 1997. Barrister and Solicitor in the City of Calgary, since 1987.	666,666

* Members of the audit committee.

(1) Shares held by Shaikh Family Trust, M.H. (Mike) Shaikh is the Trustee of the Family Trust.

APPOINTMENT OF AUDITORS

The Management of the Corporation proposes to nominate the Corporation's existing auditors, Woodward Hallam & Co, Chartered Accountants, Calgary, Alberta, as auditors for the Corporation until the next annual general meeting of shareholders at a remuneration to be fixed by the directors. Woodward Hallam & Co., Chartered Accountants have been auditors of the Corporation since July 10, 1996

FINANCIAL STATEMENTS

The audited financial statements of the Corporation as at December 31, 1996, are attached to this Information Circular as Schedule "A".

STOCK OPTION PLAN

The Corporation has a Stock Option Plan (the "Plan") which was prepared by the directors and approved and adopted by the initial shareholders. A copy of the Plan is attached to this Information Circular as Schedule "B". Options granted pursuant to the Plan will not exceed a term of five years and are granted at an option price and on other terms which the directors determine is necessary to achieve the goal of the Plan and in accordance with regulatory policies. The option price may be at a discount to market price, which discount will not, in any event, exceed that permitted by any stock exchange on which the Corporation's shares are listed for trading.

The number of common shares allocated to the Plan will be determined by the board of directors from time to time. The aggregate number of shares reserved for issuance under the Plan, other employee stock option plans, options for services, and employee stock purchase plans, may not exceed 10 percent of the issued and outstanding shares. In addition, the aggregate number of shares so reserved for issuance to any one person shall not exceed five percent of the issued and outstanding shares.

The common shares, when fully paid for by a participant, are not included in the calculation of common shares allocated to or within the Plan. Should a participant cease to be eligible due to the loss of corporate office (being that of an officer or director) or employment, the option shall cease for varying periods not exceeding 90 days. Loss of eligibility for consultants is regulated by specific rules imposed by the directors when the option is granted to the appropriate consultant. The Plan also provides that estates of deceased participants can exercise their options for a period not exceeding one year following death.

The board of directors may from time to time make rules, regulations and amendments to the Plan. Should any rule, regulation or amendment materially differ from the provisions set out in this Information Circular, the Corporation shall obtain the necessary regulatory or shareholder approvals.

The shareholders will be asked to consider and approve the following resolution:

IT IS RESOLVED THAT, subject to any regulatory approval, the Stock Option Plan in the form set out in Schedule "A" to the Information Circular of the Corporation in respect of the September 15, 1997, annual and special meeting of shareholders be adopted and the same is hereby approved.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No officers or directors of the Corporation or any of their associates are, or have been, indebted to the Corporation.

INTEREST OF INSIDERS IN MATERIAL TRANSACTION

No officer, director, or shareholder who beneficially owns, directly or indirectly, more than 10% of the outstanding Common Shares of the Corporation and no known associate or affiliate of such persons, has any material interest in any transaction since the commencement of the Corporation's last financial year or in any proposed transaction which has materially affected or would materially affect the Corporation.

RESERVATION OF COMMON SHARES

The Corporation proposes to reserve for private placement issuances up to 4,000,000 common shares of the Corporation valued at the maximum allowable discount from time to time under The Alberta Stock Exchange policies. The purpose of any private placement(s) of these shares will be to raise working capital to assist the Corporation in development work on current assets and expansion of its business operations through additional acquisitions. As of the date of this Information Circular there are no specific plans for any private placements, other than as mentioned elsewhere in this Information Circular, however, management believes it will be critical to have shares available to respond in the expanding marketplace.

The shareholders will be asked to consider and approve the following resolution:

IT IS RESOLVED THAT, subject to necessary regulatory approval, the directors of the Corporation are authorized to issue up to 4,000,000 common shares of the Corporation valued at the maximum allowable discount under The Alberta Stock Exchange policies, in connection with private placements at such prices and subject to such terms and with such parties as the directors may determine from time to time.

OTHER BUSINESS

Management is not aware of any other matters to come before the meeting other than those set out in the Notice of Meeting. If other matters come before the meeting it is the intention of the individuals named in the form of proxy to vote the same in accordance with their best judgment in such matters.

APPROVAL AND CERTIFICATION

The contents of this Information Circular have been approved by the board of directors of the Corporation.

This Information Circular constitutes full, true and plain disclosure of all material facts relevant to the particular matters to be voted on by the shareholders.

This Information Circular contains no untrue statements of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

DATED: July 31, 1997

(signed) "Brian C. Mahood"
Brian C. Mahood
President and Chief Executive Officer

(signed) "Matthew Kingsley Walls"
Matthew Kingsley Walls
Secretary-Treasurer and Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) "M.H. (Mike) Shaikh"
M.H. (Mike) Shaikh

(signed) "Ali Jomaa"
Ali Jomaa

WOODWARD HALLAM & Co.

Chartered Accountants

Suite 1710 • 734 - 7th Avenue S.W. • Calgary, Alberta • T2P 3P8
Tel: (403) 266-0737 • Fax: (403) 265-0608

AUDITORS' REPORT

To the Shareholders of Spearhead Resources Inc.

We have audited the balance sheet of Spearhead Resources Inc. as at December 31, 1996 and the statements of operations and deficit and changes in financial position for the period then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1996 and the results of its operations and the changes in financial position of the Corporation for the period then ended in accordance with generally accepted accounting principles.

Calgary, Alberta
May 5, 1997

Woodward Hallam & Co.

Chartered Accountants

SPEARHEAD RESOURCES INC.

Balance Sheet
December 31, 1996

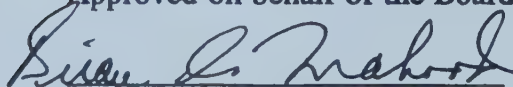
ASSETS

Current	
Cash	\$ 307,703
GST receivable	1,901
Accounts receivable	<u>471</u>
	310,075
Capital assets (Note 2)	<u>2,112</u>
	<u>\$ 312,187</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current	
Accounts payable and accrued liabilities	\$ <u>4,839</u>
Shareholders' equity	
Share capital (Note 3)	326,190
Deficit	<u>(18,842)</u>
	<u>307,348</u>
	<u>\$ 312,187</u>

Approved on behalf of the Board:

 Director

 Director

See accompanying notes



SPEARHEAD RESOURCES INC.

Statement of Operations and Deficit
For the Period May 24, 1996 to December 31, 1996

Revenue	
Interest	\$ <u>3,031</u>
Expenses	
Professional fees	2,778
Investor relations	1,008
Office	608
Engineering	250
Bank charges and interest	34
Amortization	<u>528</u>
	<u>5,206</u>
Net loss	2,175
Premium on repurchase of common shares	<u>16,667</u>
Deficit, end of period	\$ <u>18,842</u>
Loss per share	\$ <u>(0.00)</u>

See accompanying notes



SPEARHEAD RESOURCES INC.

Statement of Changes in Financial Position
For the Period May 24, 1996 to December 31, 1996

Operating activities	
Net loss	\$ (2,175)
Add non-cash item:	
Amortization	<u>528</u>
Cash flow from operations	(1647)
Net change in non-cash working capital	<u>2,467</u>
	<u>820</u>
Financing activities	
Issue of common shares	410,000
Share issuance costs	(50,477)
Repurchase of common shares	<u>(50,000)</u>
	<u>309,523</u>
Investing activities	
Acquisition of office equipment	(3,600)
Disposition of office equipment	<u>960</u>
	<u>(2,640)</u>
Cash at end of period	\$ <u><u>307,703</u></u>

See accompanying notes



SPEARHEAD RESOURCES INC.

Notes to Financial Statements For the Period May 24, 1996 to December 31, 1996

1. Incorporation

Spearhead Resources Inc. was incorporated as 696406 Alberta Inc. by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta) on May 24, 1996. The name of the Corporation was changed to Spearhead Resources Inc. (the "Corporation") by Certificate of Amendment dated July 22, 1996. The Corporation has not carried on any business operations from the date of incorporation to the date of these financial statements.

The Corporation has not completed its major transaction. The Corporation is classified as a Junior Capital Pool corporation as defined in Alberta Securities Commission Policy 4.11.

The Corporation proposes to identify and evaluate opportunities of interest in oil and gas corporations, properties, assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval.

2. Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided for at a rate of 20% per annum on a declining balance basis.

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Furniture, fixtures and equipment	<u>\$ 2,640</u>	<u>\$ 528</u>	<u>\$ 2,112</u>



SPEARHEAD RESOURCES INC.

Notes to Financial Statements For the Period May 24, 1996 to December 31, 1996

3. Share capital

(a) Authorized

Unlimited number of common voting shares without nominal or par value

Unlimited number of first preferred shares

Unlimited number of second preferred shares

The first and second preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

(b) Issued and outstanding common shares

	<u>Number of Shares</u>	<u>Amount</u>
Issued for cash to Directors	2,000,000	\$ 100,000
Issued for cash	1,000,000	100,000
Issued for cash pursuant to a prospectus dated October 15, 1996	2,000,000	200,000
Issued for cash pursuant to Agent's option agreement	<u>100,000</u>	<u>10,000</u>
	5,100,000	410,000
Repurchase of common shares	(500,000)	(33,333)
Costs of issuance	<u>-</u>	<u>(50,477)</u>
Balance December 31, 1996	<u>4,600,000</u>	<u>\$ 326,190</u>

The 2,000,000 common shares issued to directors on July 10, 1996 for cash are held in escrow and may not be released from escrow and traded without the written consent of the Executive Director of the Alberta Securities Commission, subject to any earlier automatic releases that may be permitted under a policy adopted by the Alberta Securities Commission. One third of the escrowed shares will be released on the first, second and third anniversaries of the major transaction which has yet to be performed.



SPEARHEAD RESOURCES INC.

Notes to Financial Statements **For the Period May 24, 1996 to December 31, 1996**

3. Share capital (continued)

On October 4, 1996, the Company redeemed 500,000 common shares for \$50,000 and subsequently cancelled these shares.

(c) Stock options

The Corporation has established a Stock Option Plan for the benefit of directors, officers, and key employees and consultants of the Corporation. Pursuant to the Stock Option Plan, options for a total of 450,000 common shares have been granted to the directors of the Corporation. These options may be exercised within five years of issuance at a price of \$0.10 per share. At December 31, 1996, none of the option were exercised. The options expire on October 18, 2001.

Pursuant to an Agency Agreement dated October 9, 1996, the Corporation granted McDermid St. Lawrence Securities Ltd. ("the Agent") an option to purchase 200,000 common shares at \$0.10 per share. The option is exercisable at any time from issuance to 18 months from the date of listing the Corporation's shares on The Alberta Stock Exchange. On November 21, 1996, the Agent exercised 100,000 stock options and 100,000 common shares were issued for total consideration of \$10,000.

4. Income taxes

The Corporation has incurred income tax losses which are available to offset income from operations to the extent of \$7,536. The value of the loss carry forward has not been recorded in these financial statements. This loss expires in 2003.



Schedule "B"

SPEARHEAD RESOURCES INC.

STOCK OPTION PLAN (the "Plan")

1. Purpose of the Plan

The purpose of the Plan is to assist SPEARHEAD RESOURCES INC. (the "Corporation") in attracting, retaining and motivating directors, key officers, employees and consultants of the Corporation and of its subsidiaries and to closely align the personal interests of such directors, officers, employees and consultants with those of the shareholders by providing them with the opportunity, through options, to acquire common shares of the Corporation.

2. Implementation

The grant and exercise of any options under the Plan are subject to compliance with the applicable requirements of each stock exchange on which the shares of the Corporation are or become listed and of any governmental authority or regulatory body to which the Corporation is subject.

3. Administration

The Plan shall be administered by the board of directors of the Corporation which shall, without limitation, have full and final authority in its discretion, but subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Plan. The board of directors may delegate any or all of its authority with respect to the administration of the Plan and any or all of the rights, powers and discretions with respect to the Plan granted to it under this Plan to the Executive Committee or such other committee of directors of the

Corporation as the board of directors may designate. Upon any such delegation the Executive Committee or other committee of directors, as the case may be, as well as the board of directors, shall be entitled to exercise any or all of such authority, rights, powers and discretions with respect to the Plan. When used in the context of this Plan "board of directors" shall be deemed to include the Executive Committee or other committee of directors acting on behalf of the board of directors.

4. Number of Shares Under Plan

A maximum number of common shares equal to 10 percent of the issued and outstanding common shares of the Corporation, from time to time, (the "Optioned Shares") shall be reserved, set aside and made available for issuance in accordance with the Plan provided that in no event shall options be granted entitling any single individual to purchase in excess of five percent of the then outstanding shares in the Corporation. If option rights granted to an individual under the Plan shall expire or terminate for any reason without having been exercised in respect of certain Optioned Shares, such Optioned Shares may be made available for other options to be granted under the Plan.

5. Eligibility

Options may be granted under the Plan to any person who is a director, officer, employee or consultant of the Corporation, or of its subsidiaries, as the board of directors may from time to time designate as a participant under the Plan (a "Participant"). Subject to the provisions of this Plan, the total number of Optioned Shares to be made available under the Plan and to each Participant, the time or times and price or prices at which options shall be granted, the time or times at which such options are exercisable, and any conditions or restrictions on the exercise of options, shall be in the full and final discretion of the board of directors.

6. Terms and Conditions

(a) **Exercise Price**

The exercise price to each Participant for each Optioned Share shall be as determined by the board of directors, but shall in no event be less than the market price of the common shares of the Corporation on The Alberta Stock Exchange, or such other exchange on which the common shares are listed at the time of the grant of the option, less the maximum discount permitted under the policies of The Alberta Stock Exchange or such other exchange on which the common shares are listed, or such other price as may be agreed to by the Corporation and approved by The Alberta Stock Exchange or such other exchange on which the common shares are listed.

(b) **Option Agreement**

All options shall be granted under the Plan by means of an agreement between the Corporation and each Participant (the "Option Agreement") in the form as may be approved by the board of directors, such approval to be conclusively evidenced by the execution of the Option Agreement by any two directors or officers of the Corporation.

(c) **Length of Grant**

All options granted under the Plan shall expire not later than the fifth anniversary of the date such Options were granted.

(d) Non-Assignability of Options

An option granted under the Plan shall not be transferable or assignable (whether absolutely or by way of mortgage, pledge or other charge) by a Participant other than by will or other testamentary instrument or the laws of succession and may be exercisable during the lifetime of the Participant and only by the Participant.

(e) Right to Postpone Exercise

Each Participant, upon becoming entitled to exercise the option in respect of any Optioned Shares in accordance with the Option Agreement, shall be entitled to exercise the option to purchase such Optioned Shares at any time prior to the expiration or other termination of the Option Agreement.

(f) Exercise and Payment

Any option granted under the Plan may be exercised by a Participant or the legal representative of a Participant giving notice to the Corporation specifying the number of shares in respect of which such option is being exercised, accompanied by payment (by cash or certified cheque payable to the Corporation) of the entire exercise price (determined in accordance with the Option Agreement) for the number of shares specified in the notice. Upon any such exercise of an option by a Participant the Corporation shall cause the transfer agent and registrar of the common shares of the Corporation to promptly deliver to such Participant or the legal representative of such Participant, as the case may be, a share certificate in the name of such Participant or the legal representative of such Participant, as the case may be, representing the number of shares specified in the notice.

(g) Rights of Participants

The Participants shall have no rights as shareholders in respect of any of the Optioned Shares (including, without limitation, any right to receive dividends or other distributions, voting rights, warrants or rights under any rights offering) other than Optioned Shares in respect of which Participants have exercised their option to purchase and which have been issued by the Corporation.

(h) Third Party Offer

If, at any time when an option granted under the Plan remains unexercised with respect to any Optioned Shares, an Offer to purchase all of the common shares of the Corporation is made by a third party, the Corporation shall use its best efforts to bring such offer to the attention of the Participants as soon as practicable and the Corporation may, at its option, require the acceleration of the time for the exercise of the option rights granted under the Plan and of the time for the fulfilment of any conditions or restrictions on such exercise.

(i) Alterations in Shares

In the event of a share dividend, share split, issuance of shares or instruments convertible into common shares (other than pursuant to the Plan) for less than market value, share consolidation, share reclassification, exchange of shares, recapitalization, amalgamation, merger, consolidation, corporate arrangement, reorganization, liquidation or the like of or by the Corporation, the board of directors may make such adjustment, if any, of the number of Optioned Shares, or of the exercise price, or both, as it shall deem appropriate to give proper effect to such event, including to prevent, to the extent possible, substantial dilution or enlargement of rights granted to Participants under the

Plan. In any such event, the maximum number of shares available under the Plan may be appropriately adjusted by the board of directors. If because of a proposed merger, amalgamation or other corporate arrangement or reorganization, the exchange or replacement of shares in the Corporation of those in another company is imminent, the board of directors may, in a fair and equitable manner, determine the manner in which all unexercised option rights granted under the Plan shall be treated including, for example, requiring the acceleration of the time for the exercise of such rights by the Participants and of the time for the fulfilment of any conditions or restrictions on such exercise. All determinations of the board of directors under this paragraph 6(i) shall be full and final.

(j) Termination

Subject to paragraph 6(k), if a Participant is dismissed as an officer, employee or consultant by the Corporation or by one of its subsidiaries for cause, all unexercised option rights of that Participant under the Plan shall immediately terminate, notwithstanding the original term of the option granted to such Participant under the Plan.

(k) Disability or Retirement

Notwithstanding paragraph 6(j), if a Participant ceases to be an officer, employee or consultant of the Corporation or of one of its subsidiaries as a result of:

- (a) disability or illness preventing the Participant from performing the duties routinely performed by such Participant;

- (b) retirement at the normal retirement age prescribed by the Corporation pension plan;
- (c) resignation; or
- (d) such other circumstances as may be approved by the board of directors;

such Participant shall have the right for a period not exceeding 90 days from the date of ceasing to be an officer, employee, consultant or director (or, if earlier, until the expiry date of the option rights of the Participant pursuant to the terms of the Option Agreement) to exercise the option under the Plan with respect to all Optioned Shares of such Participant to the extent they were exercisable on the date of ceasing to be an officer, employee, consultant or director. Upon the expiration of such 90 days period (or such earlier expiry date as provided for in the Option Agreement) all unexercised option rights of that Participant shall immediately terminate and shall lapse notwithstanding the original term of the option granted to such Participant under the Plan.

(l) Deceased Participant

In the event of the death of any Participant, the legal representatives of the deceased Participant shall have the right for a period not exceeding one year from the date of death of the deceased Participant (or such shorter period being, until the expiry date of the option rights of the Participant pursuant to the terms of the Option Agreement) to exercise the deceased Participant's option with respect to all of the Optioned Shares of the deceased Participant to the extent they were exercisable on the date of death. Upon the expiration of such period all unexercised option rights of the deceased Participant shall immediately terminate, notwithstanding the original term of the option granted to the deceased Participant under the Plan.

7. Amendment and Discontinuance of Plan

The board of directors may from time to time amend or revise the terms of the Plan or may discontinue the Plan at any time, provided that no such action may in any manner adversely affect the rights under any options earlier granted to a Participant under the Plan without the consent of that Participant.

8. No Further Rights

Nothing contained in the Plan nor in any option granted under this Plan shall give any participant or any other person, any interest or title in or to any common shares of the Corporation or any rights as a shareholder of the Corporation or any other legal or equitable right against the Corporation other than as set out in the Plan and pursuant to the exercise of any option, nor shall it confer upon the Participants any right to continue as an employee, officer, consultant or director of the Corporation or of its subsidiaries.

9. Compliance with Laws

The obligations of the Corporation to sell common shares and deliver share certificates under the Plan are subject to such compliance by the Corporation and the Participants as the Corporation deems necessary or advisable with all applicable corporate and securities laws, rules and regulations.

10. Gender

The use of the masculine gender in this Plan shall be deemed to include or be replaced by the feminine gender where appropriate to the particular Participant.

1. Agreement and Discontinuance of Plan

The board of directors may from time to time amend or terminate the Plan or may determine the Plan at any time, provided that any such amendment or termination shall not have any effect on the rights of any person who has acquired rights under the Plan without the consent of that person.

2. Other Rights

Nothing contained in the Plan shall be construed to deprive any person of any other rights or benefits which he may be entitled to under any other plan or arrangement, or to deprive any person of any other rights or benefits which he may be entitled to under any other plan or arrangement, or to deprive any person of any other rights or benefits which he may be entitled to under any other plan or arrangement.

3. Construction

The provisions of the Constitution to which reference is made in this Plan shall be subject to any amendments or modifications which may be made by the Board of Directors, and the provisions of the Constitution shall be subject to any amendments or modifications which may be made by the Board of Directors.

4. General

The provisions of the Constitution to which reference is made in this Plan shall be subject to any amendments or modifications which may be made by the Board of Directors, and the provisions of the Constitution shall be subject to any amendments or modifications which may be made by the Board of Directors.